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DRUG STORE NEWS®

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Chains eye Medicare computer plan role

Administration plan gets cautious support

WASHINGTON — The Reagan Administration's plan to place special prescription tracking systems in pharmacies that participate in the new Medicare outpatient drug program is drawing cautious support from drug store industry groups.

National Association of Chain Drug Stores officials, for instance, endorsed the concept of supplying retail pharmacies with computer terminals linked to a central program-wide computer, noting that such a system could speed reim-

See **Medicare,** *page 45*

By Pamela Krein

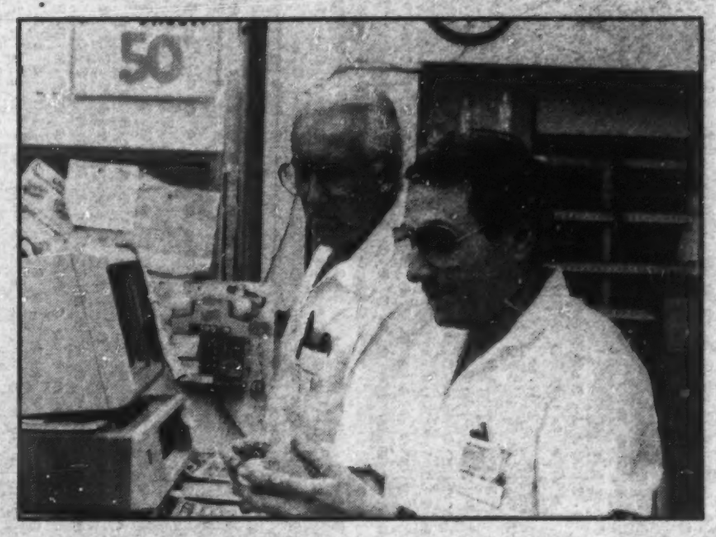
NEW YORK — Many of the nation's influential drug chain executives want the Federal government to involve chains in the planning and implementation of a proposed Medicare prescription computer system.

The U.S. plan would place computer terminals and programs in an estimated 95 percent of 54,000 drug stores nationwide—plus eligible pharmacies in food and discount stores—to begin tracking expenditures on medicines by 1991 for an estimated 32 million Medicare recipients. This follows passage of the Medicare Catastrophic Protection Act.

Pharmacies will be required to send patient information to a central government data bank. The central computer would qualify patients by noting whether they'd paid the yearly deductible. It will indicate possible drug interac-

'The single biggest thing the government needs to do is use existing systems,' said Bergen's Chuck Reed.

See **Chains,** *page 45*



Once the government program is under way, this scene will be repeated in drug stores nationwide for each Medicare prescription.

FoxMeyer's Tauscher out; NI taps Farley as chairman

PITTSBURGH — William Y. Tauscher, 38, has resigned as chairman and ceo of FoxMeyer.

Laurence Farley, 52, will immediately replace Tauscher as chairman, a spokesman for National Intergroup, the wholesaler's parent, said. Farley will also retain his role as NI's executive vp-finance, planning and cfo, a post he has held since February. He is a former ceo of Black & Decker.

NI has been dissatisfied with the contribution of FoxMeyer, which accounts for 46 percent of its assets, a spokesman said.

A total restructure of the Ben Franklin wholesale business—acquired in early 1986—has been slow to take hold, and NI reported that gains in drug wholesaling were "more than offset" by losses from Ben Franklin in the quarter ended June 30.

William Tauscher
A major at Computerland

Richard Bard, former FoxMeyer president and now chairman and ceo of CoastAmerica Corp., will leave NI's board.

Tauscher, who sold FoxMeyer to NI in 1986, is a majority investor and chairman in the Computerland computer store franchise company, which is now going public.

NI chairman Howard Love said Farley's mission will be "to organize and execute an effective plan that will realize the full potential of FoxMeyer."

Cullum operates seven distinct retail formats

Operating name	Format	Store count
Tom Thumb Food & Drug	combo	37
Tom Thumb Supermarkets	supermarket	28
Page Drug	drug	13
Simon David	specialty gourmet	2*
Hypermart USA	hypermarket	1**
Drugs Plus	deep discount drug	1
Rainbow	ethnic food	1

* Cullum's third Simon David, a 74,000 square-foot store with pharmacy, is due to open Aug. 1 in Austin.

** Cullums' second hypermarket, in its joint venture with Wal-Mart, is due to open Aug. 2 in the Dallas suburb of Arlington.

Source: Cullum Companies, Inc.

LBO won't douse Cullum Companies' retail experiments

By David Vaczek

DALLAS — A proposed $22-a-share management buyout of Cullum Companies, Inc. won't derail recent experiments in drug and food store retailing. But it remains to be seen if Cullum can afford to expand the new concepts once it goes private.

The company has absorbed most of the start-up costs for recent new format launches, including costs associated with its second Hypermart USA, which is set to open Aug. 1 in Arlington, Jim Stiles, vp-treasurer and cfo, told *Drug Store News*.

Cullum is also ready to launch its third Simon David specialty gourmet store. The 75,000 square foot store, which boasts a pharmacy, will open here Aug. 2, but it is hard to predict future store growth as the the nation's 13th largest supermarket company hammers out the $520 million buyout plan, Stiles noted.

"We don't have plans to open a third (Hypermart) in the near future," said Stiles about the joint venture into hypermarket retailing with Wal-Mart.

Cullum's ability to budget for capital projects is only one of

See **Cullum,** *page 45*

New format targets Hispanic, black segments

Cullum expects to find a pot of gold at the end of its rainbow—that is, its new Rainbow combo store. Page 3

LATE NEWS

• YPSILANTI, Mich. — Former Perry Drug Stores executive vp Alvin Wander and former Perry merchandiser Pat Teeley are negotiating to purchase Maple Village Pharmacy, which operates seven drug stores in southeastern Michigan.

• WALNUT CREEK, Calif. — Longs Drug Stores has named Steven Roath, senior vp-marketing, to the executive vp post vacated in May by the departure of Dick Scott to Osco. Roath fills the number-three position in the chain. The 24-year Longs veteran Roath is now responsible for store operations, pharmacy and computer operations. Mike Baird, vp-special projects, will assume Roath's former position.

• ANAHEIM, Calif. — Dick Boyd, Longs' vice president of pharmacy, has left the chain for a similar position at Osco, where he follows former Longs' executive vp Dick Scott. Dave Fong, previously the assistant director of professional affairs, takes Boyd's post at Longs.

Med-Glaser's Steinbaum defends firm's reinvestment

By James Frederick

ST. LOUIS — Responding to the concerns of shareholders frustrated at the drop in value of their stock, Medicare-Glaser Corp. chairman and chief executive Harlan Steinbaum departed from his prepared text at the company's annual meeting here to defend management's decision last year to sacrifice profits for long-term growth potential.

Steinbaum

Two shareholders at the July 19 meeting challenged a new incentive stock op-

See **Steinbaum,** *page 45*

NEWS IN BRIEF

Heyman new Peoples purchasing veep

ALEXANDRIA, Va. — Bernie Heyman has been named corporate vp-purchasing for Peoples Drug Stores, in charge of buying of all merchandise categories.

Heyman

For the past five years, Heyman was vp-marketing for Peoples' Lane Drug Division, which has been consolidated into Peoples' corporate Midwestern region. Prior to that, he served in senior operations and marketing positions with Reed Drug of Baltimore for more than 25 years.

National Wholesale buys Chaffee

TAYLOR, Mich. — National Wholesale Drug Co. has acquired Chaffee & Co., a local sundries wholesaler which supplies drug stores in Michigan and Ohio. Founded in 1919, Chaffee did approximately $5 million in sales last year.

National, a $130 million wholesaler which services close to 1,000 retail clients in the Midwest, will operate Chaffee as a separate division. "With the combined resources of National and Chaffee we can expand our customer base, our merchandise offerings, and our distribution areas," said president Mickey Kole.

Perry enters joint home care venture

PONTIAC, Mich. — Perry Drug Stores has launched a joint marketing venture with The Detroit Medical Center (DMC), one of Michigan's largest health care providers, to sell and rent home medical equipment and supplies. The venture, called DMC Home Medical Equipment, will be managed by Perry ComfortCare, the home health care segment of Perry's $21 million Health Care Division.

The DMC consists of six acute-care hospitals and one rehabilitation hospital, as well as a network of ambulatory care clinics and "extensive" links to private medical staff practices in greater Detroit.

"This agreement brings together two of the area's most important health care providers," said Michael Klein, Perry Health Care Division president, "and the venture will give consumers the best in home medical supply service."

Yaeger takes Revco security post

TWINSBURG, Ohio — Revco D.S. has named Steve Yaeger vp-loss prevention, reporting to executive vp-stores Carl Bellini.

Yaeger, 41, last served in the same post for Rocky Hill, Conn.-based Ames Department Stores, and spent eight years with the Federal Bureau of Investigation. At Ames, he was instrumental in reducing inventory shortages and developing loss-prevention training programs for the chain's 325 stores.

Polaroid enters film print market

CAMBRIDGE, Mass. — The color print film business, a core category at drug stores, is about to be host to a new competitor.

Polaroid, king of the instant film business, announced it will soon market a brand against the likes of Kodak, Fuji, Konica, 3M and Agfa-Gevaert.

Retailers can appreciate the irony of Polaroid's entry into this arena where Kodak reins. Just two years ago, Polaroid won its patent infringement suit against Kodak, and forced Kodak's exit from the instant photography business.

Retailers may stand to gain the most, as film suppliers develop promotions and incentives to win market share.

Chicago hosts hardware show

CHICAGO — The 1988 National Hardware Show, held in conjunction with the Hardware Industry Week, will give housewares exhibitors a chance to expand their base of qualified buyers in the hardware and allied lines, chain store and home center categories.

The show opens Sunday, August 14 and runs through Wednesday, August 17 at McCormick Place here.

Chains proceed cautiously when merchandising liquor

By James Frederick

PONTIAC, Mich. — It's a game that's been played out by every underage generation since teenagers discovered alcohol: find a way around the rules governing the sale of liquor, beer and wine to minors. Methods in playing the game vary in creativity and desperation, but two perennial favorites are fake IDs and getting an adult to buy the booze for you.

Executives of drug chains that are in the business of selling alcoholic beverages are familiar with all the tricks, and they shudder when they think of the consequences. With the exception of the pharmacy counter, no facet of drug store retailing is as loaded with pitfalls or as intensely regulated as the liquor/beer/wine department.

Here, poorly trained clerks or a lax oversight policy on sales can have dire consequences for retailers: lost sales licenses, community censure, a sullied image and a growing tangle of legal ramifications as courts shift more responsibility for drunk driving mishaps to those who served or sold the booze in the first place.

Perry Drug Stores, parent of A. L. Price shown here, has stringent store-level programs to help prevent underage drinking.

Merchandising Spotlight

Drug chains in the liquor business are taking all those consequences more seriously than ever. One standout program has been that instituted by Perry Drug Stores, which has intensified its training of store personnel in Troy, Mich., to help in that city's efforts to cut underage drinking.

Perry recently held two special training seminars for 67 of its clerks on the sale of alcoholic beverages. Arranged by Bob Mickiewicz, district manager, and conducted in part by Ann Finn, director of employment and employee relations, the training sessions focused on specific techniques to recognize and handle prob-

See **Liquor,** *page 45*

Sixty years of drug store retailing

A K & B drug store of yesteryear knew the value of merchandising at the checkstand area. All of the products advertised were positioned for impulse sales, such as the steel medicine cabinets for 88 cents and the men's and women's metal shoe trees for 19 cents each.

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TRENDS

Drug chain buyers have sweet tooth for increased candy sales

Large multipacks typically dominate candy and gum displays at deep discounters, such as Drug Emporium, who appeal to stock-up customers.

By Christine Bizzarro

Drug chain buyers around the country are saying "how sweet it is"—although perhaps without the characteristic flair of Jackie Gleason—about the increased candy sales they are enjoying.

The U. S. Dept. of Commerce estimates total candy consumption for 1988 will reach 4.9 billion pounds, and per capita consumption will weigh in at 19.5 pounds, both hefty gains. Drug chains are cashing in on the confectionery blitz by three- and four-for-a dollar or less pricing, increased product visibility, and by emphasizing seasonal buying opportunities. The latter builds impulse sales and multiple purchases, and encourages consumers to experiment with new candy bars they may never have eaten before.

"Sales of candy at drug stores have increased continually," Whitney Hill, trade relations director of M&M/Mars, told *Drug Store News*. "Drug stores treat candy as a 52-weeks-a-year promotion, as opposed to an aggressive grocery chain, which may promote candy on a 12-week-a-year basis."

Candy consumption data
(in pounds)

	1987	1986	% change
Per capita total	19.3 (est.)	18.8	3
Chocolate	9.9	9.5	4
Non-chocolate	8.6	8.4	2
Not specified	0.8	0.9	—

Sources: U.S. Department of Commerce, U.S. Department Of Labor, from the National Confectioners Association Annual Report.

As an example, at Standard, a 65-store drug chain based in Richmond, Va., Roy Putze, candy buyer, said "bagged candy does very well for us, and low-end items like Mary Janes are advertised at two for a dollar." Standard caters "mostly to customers who are looking more towards mix-and-match bagged candy and bars at special deals," he said.

Kerr Drugs, the 82-store chain based in Raleigh, N. C., sells bar and roll candy at three and four for $1.00. Candy buyer Dan McAlister said, "This pricing strategy produces a blowout—the sell-through on these items is great."

Paul Lippold, warehouse manager of Peterson Drugs in upstate New York, said the chain tries not to go above $1.00 for an assortment of candy bars, and pricing usually is three for 99 cents or four for $1.00. He said the 4-ounce and 5-ounce bars retailing for 69 cents and 79 cents "don't do that great."

Regional taste differences and the onset of the summer months may impact the selection of candy products a chain advertises.

McAlister of Kerr said, "Chocolate candy is preferred to nonchocolate sugar candy here, and milk chocolate is very strong in the South," whereas dark chocolate is preferred by most Northerners.

Anna Iacono, candy buyer at Douglas Drug, which operates 16 stores in the Providence, R. I. area, noticed there that "nonchocolate items like the jellies and hard candy sell better in the summertime, since chocolates melt."

Putze of Standard said "kiddie candy"—nonchocolate, fruit-flavored candies—aren't selling as well as an established brand like Atkinson's line of hard candies.

At Snyder Brothers, a Minneapolis-based, 20-store chain, Larry Olson, candy buyer, gives 42 total feet to the candy section. Thirty-two feet is given to the candy it stocks everyday, 2 feet is given to each checklane, and an 8-foot endcap is given to boxed chocolates.

"We use dump tables in the front of the store," said Olson regarding in-store promotions, and "in some larger stores, these tables are placed along the perimeter of the store."

Olson said Brachs' bagged candies sell well, and the "theatre size" boxes of Dots and Black Crows by Nabisco are doing well. At the checkstand area, Olson notes Baby Ruth, Butterfingers, Milky Way and Snickers are enjoying success.

Bill's Drugs, Lafayette, Calif., sells bar candy at checkstands everyday at two for 79 cents, according to Gene Bass, vp-merchandising at the 25-store chain. To capture the attention of impulse buyers, the 24-foot candy department is located in the center of the store on a gondola. Bass said his biggest concern in merchandising the category is "keeping it racked and giving it good visibility and good display."

Displaying candy at F&M, the 54-store deep discount drug chain, is usually done with "stack-outs and major endcaps on a flat or at the register," said candy buyer Bruce McClintock. He noted the most profitable segments are not the nationally-known brands, but brands like Jolly Rancher hard bagged candy in fruit flavors, made by

Continued on page 14

Standard stages chocolate blowout

RICHMOND, Va. — Standard Drug here celebrates the candy category every year by holding a Chocolate Festival during the first week of October.

Roy Putze, candy buyer for the chain, said "During this time, people are getting back into the mood to buy chocolate, since the weather is cooling off." The promotion also gives Standard a chance to clear out its warehouses before the Halloween selling season.

The week-long, in-store event, which Putze says is a success, began five years ago. For example, the chain may sell two boxes of Snickers in a store during a typical week, but during the festival volume grows to at least three to five times that amount. "All our chocolate items just empty out," he said.

This figure is more for a hot item like chocolate covered cherries, said Putze. "We may sell 20 cases of them in a regular week chainwide, but in October we'll sell 500 cases."

A highlight of the festival includes giveaways of 5-pound Hershey's bars in each of the store's 15 Richmond locations. Putze said he would also like to try some in-store customer sampling of chocolate items in 1989 if manufacturers will comply.

Standard gets all the POS material it can from each manufacturer, such as mobiles and displays, "to dress up the store," Putze said.

The chain aggressively advertises the festival. On the front page of the circular, nine chocolate items might be advertised, and the entire center insert is devoted to about 25 different items, such as Cadbury Thickbars at three for $1.00, and Andes boxed mints at 99 cents.

TRENDS

Candy

Candy-loving Americans respond to ads

According to the National Confectioners Association and Opinion Research Corp., 90 percent of all American households buy confectionery, and 9 percent of adult consumers eat confectionery every day.

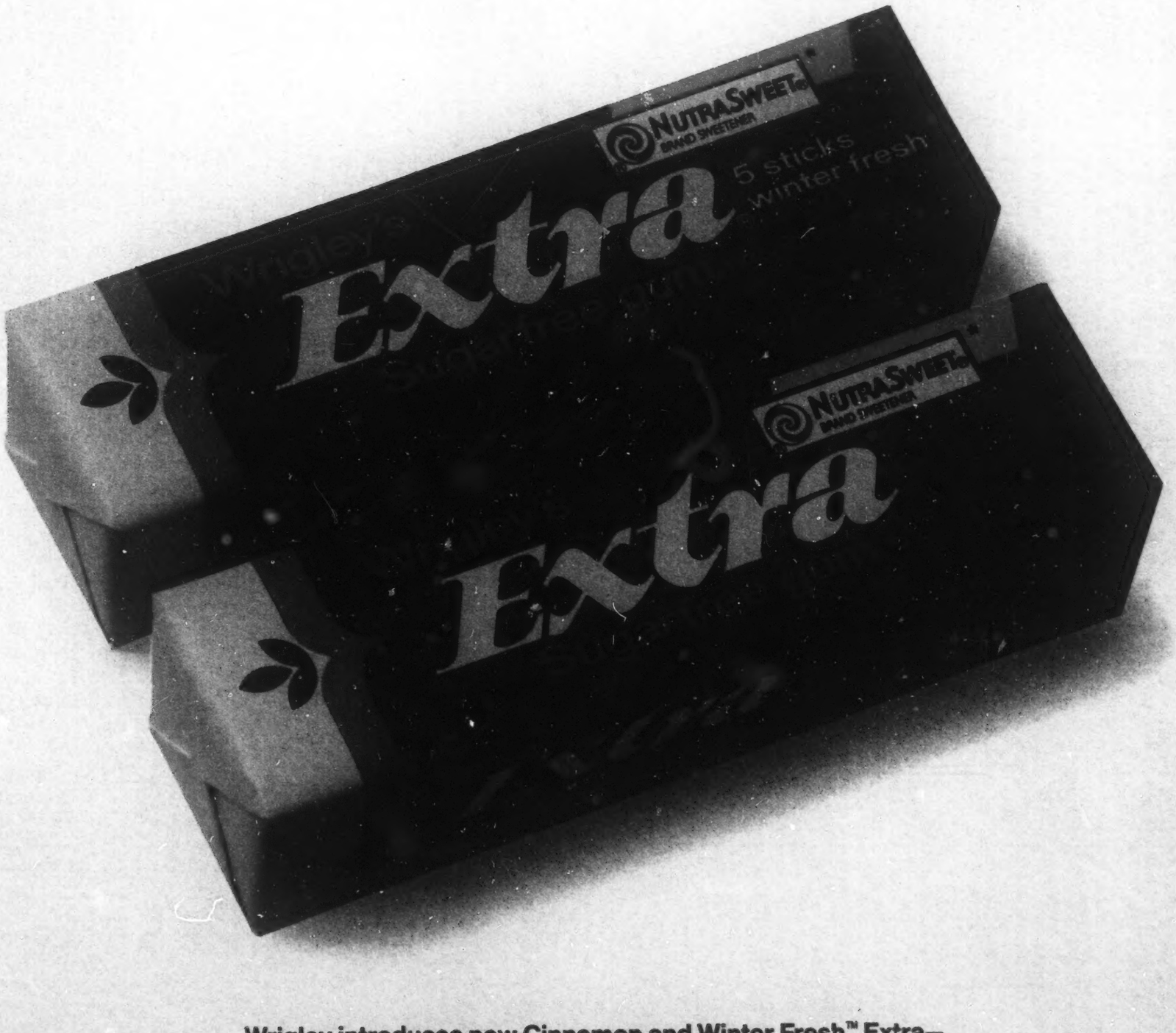
Men outnumber women among these adults consumers, but age and formal education are not factors. Those earning less than $25,000 a year outnumber those earning more, but they tend to be both blue- and white-collar employees.

Drug chains price aggressively to capture everday candy eaters, of which there are millions. Eckerd recently advertised a Whoppers 13-ounce milk carton at 99 cents, and SupeRx sold Hershey's standard bars, such as Milk Chocolate and Milk Chocolate with Almonds, Kit Kat and Reese's Peanut Butter Cups, at four for $1.00. Walgreens recently offered the bonus size of Tootsie Rolls at four for $1.00 with a Walgreens coupon.

In *Drug Store News*' 1988 Checkstand Merchandising Survey, 90 percent of 60 headquarters and store level merchandise managers chose candy/gum as a checkstand favorite to capture last-minute sales.

Cakes, cookies and crackers are part of the mix in the first shopping aisle at Phar-Mor, which aims for impulsive sweet-toothed shoppers with the displays.

Two new ways to grow your chewing gum business.



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Buyers have sweet tooth for increased candy sales

Continued from page 13

Leaf. McClintock also said Bar None by Hershey's, Y & S's Twizzler licorice, and Twix are selling well.

At Harco Drugs, a 75-store chain based in Northport, Ala., the candy department is given 32 feet, and this includes the checkout area, said Andy Horn, candy buyer for the chain. "Checkout items [single bars] are advertised more frequently than the boxed chocolates and multi-packs," said Horn, "because they are traffic builders."

Horn said that in general he would like to devote more upfront space to candy.

Space is also a concern at Peterson Drugs, a 16-store chain in Oakfield, N. Y. Glen Peterson, candy buyer, said that allocation of candy space varies, from a minimum of 8 feet in the smaller stores to about 12 feet to 20 feet in the larger stores. With the variety of store sizes, Peterson said, "this limits the amount of space we can use. Even though the displays will move the merchandise, we can't always use them."

Boxed chocolates at drug chains are also enjoying success. Tom McNulty, vp of sales and marketing for Whitman's Chocolates, said "Consumption is increasing in this category, with the trend toward quality and upscale products." Whitman's will be introducing the Messenger Gold Foil Assortment this fall. The product blends European-style chocolates with American chocolates. "They are truffles, not quite Godiva, but molded filled specialties," said McNulty.

McAlister at Kerr places

Continued on page 16

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